(i) The entire interest on overdue loans as on July 01. 2006 will be waived in all the affected districts and all farmers will have no past interest burden as on that date, so that they will immediately be eligible for fresh loans from the banking system.

(ii) The overdue loans of the farmers as on July 01, 2006 will be rescheduled over a period of 3-5 years with a one-year moratorium.

(Hi) A credit flow of Rs. 13,817.78 crore, Rs. 3076.20 crore, Rs. 1,945.07 crore and Rs. 1275 crores will be ensured in the above debt stressed districts of Andhra Pradesh, Karnataka, Kerala and Maharashtra respectively in 2006-07.

Outsourcing in core banking in rural areas

608. SHRI VIJAY J. DARDA: Will the Minister of FINANCE be pleased to state:

(a) whether Govemment are considering outsourcing in core banking in rural areas; if so, the details thereof;

(b) whether Govemment propose to introduce the system of Direct Sales Agents (DSAs) throughout rural areas like Uttaranchal;

(c) if so, the details thereof; and

(d) whether unions of various banks have opposed the idea of outsourcing of banking system; if so, what are the points of differences between Government and the bank employees in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) Pursuant to the announcement in the Budget Speech for 2005-06, Reserve Bank of India (RBI) had appointed an internal working group to examine the issues relating to engagement of Micro Finance Institutions (MFIs) and Civil Society Organisation (CSOs) for providing banking services to relatively under-banked and rural areas, based on the recommendations of the Group, RBI has issued guidelines on 25th January, 2006 to all scheduled commercial banks in this regard. Banks have been advised to use the services of Non-Govemmental Organisations (NGOs), Self Help Groups (SHGs), Micro Finance Institutions (MFIs) and other CSOs as intermediaries in providing financial and banking services through the use of Business Facilitator and Correspondent models. The objective of the scheme is to help low income group population in the country, which has lesser or no access to banking services due to locational

problems, illiteracy etc., to access the banking services, with the .help of these intermediary institutions, even if there is no bank branch in the areas.

(d) RBI had issued draft guidelines on outsourcing of financial services by banks on December 6, 2005. Various banks employees unions/ associations have expressed reservation against banks outsourcing all the normal banking jobs and services to outside agencies on contract and commission basis. On the basis of suggestions received from all stake holders, RBI has issued the Guidelines on Managing Risks and Code of Conduct of Outsourcing of Financial Services by Banks on November 3, 2006 which, *interalia,* provides that:—

(i) Banks which choose to outsource financial services should not outsources core management functions including Internal Audit, Compliance function and decision-making functions like sanction for loans, etc.

(ii) Sound and responsive risk management practices need to be adopted by banks for effective oversight, due diligence and management of risks arising from activities outsourced.

Concession in Interest rate on agriculture loans by Co-operative Banks

†609. SHRI RAJNITI PRASAD: Will the Minister of FINANCE be pleased to state:

(a) whether co-operative banks have also decided tdi give concessions in the rate of interest on agriculture loans on the limes of commercial banks;

(b) if so, the extent of benefit alongwith the estimated number of farmers to be benefited as a result of this policy;

(c) whether the Reserve Bank of India have separately formulated any guidelines/criterion in this regard; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) In the Budget for the year 2006-07, Government announced its decision to ensure Short Terrtii Agriculture Credit upto a principal amount of Rs. 3 lakh at 7% p.a. w.e.f. Kharif 2006: To

†Original notice of the question was received in Hindi.